

PUBLIC DISCLOSURE

June 6, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WALPOLE MUNICIPAL EMPLOYEES CREDIT UNION

30 STONE STREET
WALPOLE, MA 02081

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire membership, including low and moderate-income members, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Walpole Municipal Employees Credit Union (or the "Credit Union")** prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "SATISFACTORY"

The assessment of the record of performance for Walpole Municipal Employees Credit Union is based upon the institution's efforts in meeting the criteria outlined in this evaluation.

The analysis of the Credit Union's net loan-to-share ratio for the eight quarters beginning March 31, 2003 through December 31, 2004 indicates an average ratio of 41 percent and is deemed adequate. The distribution of consumer loans reflects good penetration among members of all income levels. The loan penetration among borrowers of low- and moderate-income shows good penetration at 66.8 percent. Based upon the review of its fair lending performance, the Credit Union appears to be extending credit in a nondiscriminatory manner. Management has identified the credit needs of the membership, and within the Credit Union's limited capacity, has developed products that help meet those needs.

PERFORMANCE CONTEXT

Description of Institution

Walpole Municipal Employees Credit Union was established in 1938 by town employees for town employees and is operated by town employees and is a state-chartered credit union under the laws of the Commonwealth of Massachusetts.

As of December 31, 2004, Walpole Municipal Employees Credit Union had assets of \$1.4 million. The Credit Union operates with two part-time employees and an eleven member volunteer Board of Directors. The Credit Union's only office is located at 30 Stone Street in the Town of Walpole. Office hours are limited; however, appear to be accessible and meet the needs of the members.

As of December 31, 2005, 39.1 percent of the Credit Union's assets were in the form of loans. The Credit Union offers limited consumer loan products, including new and used automobile loans, unsecured personal loans, and share secured personal loans. The following is a breakdown of the Credit Union's loan portfolio as it appears on the December 31, 2005 National Credit Union Administration's ("NCUA") 5300 Call Report.

LOAN TYPE	AMOUNT 000's	PERCENT
Personal Unsecured	\$ 226,053	40.6
Used Vehicle Loan	\$ 187,176	33.6
New Vehicle Loans	\$ 140,594	25.2
Other Loans	\$ 3,060	0.6
GROSS LOANS	\$ 556,883	100.0

Source: December 31, 1999 Call Report

Personal unsecured loans represent approximately 60 percent of the total number of outstanding loans on the Credit Union's books, followed by used auto loans at 25 percent, new auto loans at 13 percent and all others at 2 percent.

The Credit Union was rated Satisfactory at the previous examination for compliance with the CRA on October 12, 1999.

Description of Assessment Area

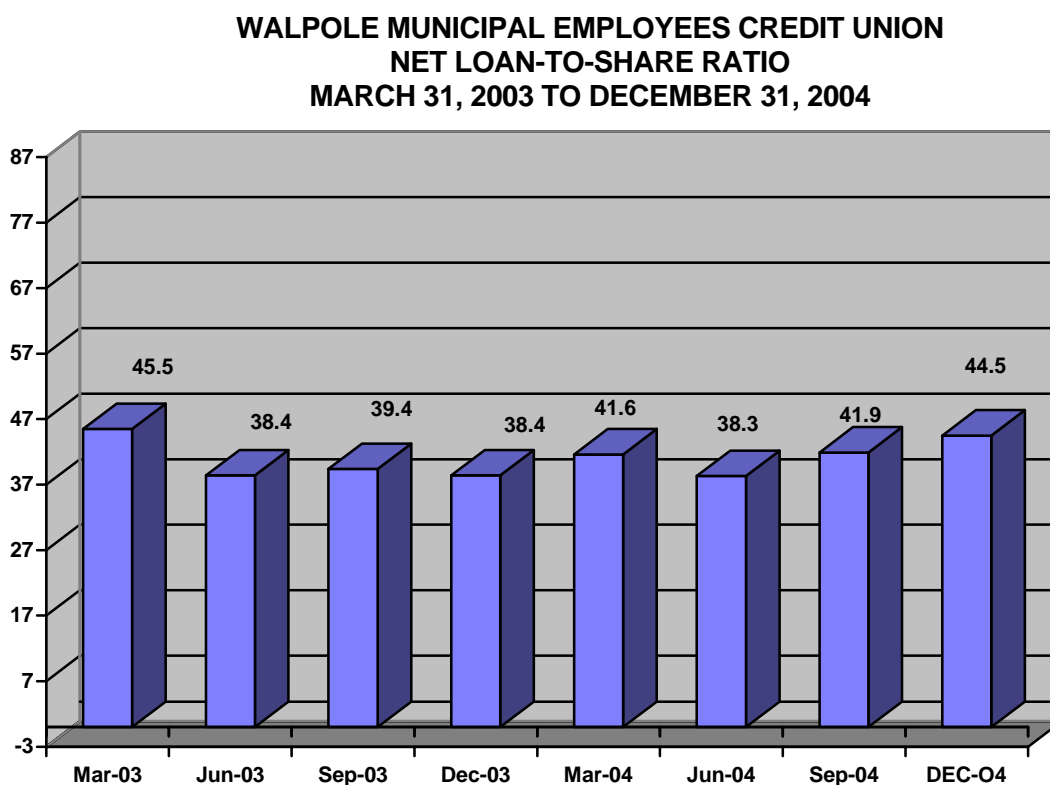
In accordance with the requirements of 209 CMR 46.41, the Credit Union defines its membership as its assessment area. Membership in the Credit Union is open to employees of the Town of Walpole, including police, fire, public school employees, selectmen, administration personnel, utility workers, building maintenance workers finance and health workers as well as retirees.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

A comparative analysis of Walpole Municipal Employees Credit Union's quarterly net loan-to-share ratio for the period of March 31, 2003 through December 31, 2004, was performed during this examination. The Credit Union's net loan-to-share ratios have fluctuated slightly over the two year period. Net loans are currently at the highest point of \$547,000 with the lowest point was at quarter ending December 31, 2003, \$487,000. Share deposits have also fluctuated with the highest level being \$1,290,000 at quarter ending June 30, 2004 and the lowest at quarter ending March 31, 2003, \$1,200,000. The current share level as of December 31, 2004 rest at \$1,235,000. Using the Credit Union's NCUA's Call Reports, the average net loan-to-share ratio for this period is 40.1 percent.

The following graph is provided for further analysis.



Management attributes the fluctuation in this ratio to market conditions relating to new and used auto financing rates as well as rates being paid on deposit accounts at other area institutions. Walpole Municipal Employees Credit Union tends to pay competitive rates on share accounts while at times is unable to compete with auto financing rates through manufacturers and other larger area financial institutions.

Based upon the above information and the Credit Union's capacity to lend, asset size, and the credit needs of the membership, the Credit Union's net loan- to-share ratio adequately meets the standards for satisfactory performance for an institution of its size.

PERFORMANCE CRITERIA (CONTINUED)

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Under the CRA regulation, a Credit Union whose by-laws are not based on residence, such as the Walpole Municipal Employees Credit Union, may define its membership as its assessment area. Because a membership defined assessment area does not consider any fixed limits on geography, an analysis involving credit extended inside a particular defined geographic area compared to credit extended outside of a particular geographic area is not meaningful.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Credit Union originated 45 loans in 2003 totaling \$193,787 and 57 loans during 2004 totaling \$204,309. Originations include personal unsecured loans and new and used automobile loans. A sample of 40 consumer loans, 20 from 2003 and 2004 respectively, was taken in order to determine the distribution of credit based on the income levels of members. All of the consumer loans sampled were evaluated by using the income figures for the Boston Metropolitan Statistical Area ("MSA") for 2003 and 2004. The originations were categorized by the ratio of the applicant's reported income to the estimated 2003 and 2004 median family incomes. The income figures are based on estimated Department of Housing and Urban Development ("HUD") median family income information which was \$80,800 for 2003 and \$79,100 for 2004.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median income. Upper income is defined as income equal to or greater than 120 percent of the median income.

The sample for the consumer loans reviewed indicated that 27.5 percent of the loans were to low-income members and 42.5 percent were to moderate-income members. The following table provides further detail.

Consumer Lending to Borrowers of Different Income Levels

% OF MEDIAN MSA INCOME	2003		2004		TOTAL	
	#	%	#	%	#	%
<50%	5	25.0	6	30.0	11	27.5
50% - 79%	8	40.0	9	45.0	17	42.5
80% - 119%	5	25.0	4	20.0	9	22.5
120% >	2	10.0	1	5.0	3	7.5
TOTAL	20	100.0	20	100.0	40	100.0

Source: In House Loan Files - 2003 and 2004

PERFORMANCE CRITERIA (CONTINUED)

It should be noted that the majority of the consumer loans were granted to single applicants. Therefore, the percentage of originations to low and moderate-income members would be higher than that of residential mortgage originations, where the income is usually the result of joint combined incomes. Of the sampled consumer loans reviewed, eight were joint applicants. Of the eight applicants, three were determined to be upper-income borrowers, four middle-income and one moderate-income.

Based upon the analysis of consumer loans by borrower income, it appears that the Credit Union's lending is adequately distributed to members of various income levels, including those of low and moderate-income. Performance in this category is, therefore, considered to meet the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

According to the CRA regulation, an institution shall delineate one or more assessment areas within which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. Credit Unions whose membership by-laws provisions are not based on residence are now permitted to delineate membership as the assessment area. Therefore, since Walpole Municipal Employees Credit Union has defined its assessment area as its membership, as opposed to a geographic area, an evaluation of credit extended by census tract was not conducted as such an analysis would not be meaningful.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Review of Complaints

A thorough review of the public comment file revealed that the Credit Union received no complaints pertaining to the institution's CRA performance since the previous examination.

Fair Lending Policies and Practices

Walpole Municipal Employees Credit Union has a credit committee that is comprised of three members of the Board of Directors. Every application is required to have two members approve the loan. Rates are reviewed on an as needed basis depending upon market conditions, but generally twice per year. Posted rates are not deviated from by the Credit Committee and any exceptions to underwriting policy guidelines are clearly documented in the loan files.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (30 Stone Street, Walpole, MA 02081-2823)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.